

Message Text

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43

ACTION EB-11

INFO OCT-01 ARA-16 ADP-00 AID-20 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

L-03 H-02 DODE-00 PA-03 USIA-12 PRS-01 FSE-00 ABF-01

EA-11 EUR-25 RSR-01 /184 W

----- 051165

R 111130Z JUL 73

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 8576

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL RECIFE

AMCONSUL SAO PAULO

UNCLAS BRASILIA 4298

E. O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: CRUZEIRO DEVALUATION

REF: BRASILIA 2351

1. CRUZEIRO DEVALUED EFFECTIVE JULY 9. NEW RATES
6.09 BUYING, 6.13 SELLING. DEVALUATION 0.495 PERCENT
ON BUYING RATE CAME AFTER 76 DAYS AT PREVIOUS RATE.

2. FOR SOME WEEKS CENTRAL BANK HAS NOT POSTED RATES
FOR CURRENCIES OTHER THAN DOLLAR. THIS DUE TO WIDE
FLUCTUATIONS IN EXCHANGE MARKETS. IF REQUESTED CENTRAL
BANK WILL OBTAIN OR SELL OTHER CURRENCIES AT THE MARKET
FOR ACCOUNT OF BRAZILIAN FOREIGN EXCHANGE BANKS.
EMBASSY HAS IMPRESSION THIS SERVICE IS NOT USED VERY
MUCH, AND THAT BANKS TEND TO MAKE OWN ARRANGEMENTS,
EITHER TRADING DIRECTLY FOR OTHER CURRENCIES OR GOING
THROUGH DOLLARS.

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3. SMALL ADJUSTMENT OF ONE HALF ONE PERCENT IN
RELATION TO DOLLAR HARDLY SEEMS SIGNIFICANT IN LIGHT
OF WIDER FLUCTUATIONS, AND EMBASSY NOT AWARE OF
REASON WHY STEP WAS TAKEN.

4. PREVIOUSLY PREVAILING RATE OF 6,06 BUYING HAD
ALSO BEEN RATE FROM OCT 17 TO NOV 22, 1972 WHEN RATE
MOVED TO 6,13. THUS THERE WAS NO NET DEVALUATION
AGAINST DOLLAR FOR PERIOD BETWEEN OCT 17,
1972 AND JULY 9, 1973, ALMOST NINE MONTHS. PREVIOUS
HIGH FOR DOLLAR AGAINST CRUZEIRO WAS 6.18 FOR PERIOD
DEC 15, 1972 TO FEB 14, 1973.

5. ALTHOUGH CRUZEIRO HAS THUS REMAINED MORE OR LESS
STABLE AGAINST DOLLAR, SINCE IT HAS REMAINED PEGGED
TO DOLLAR, IT HAS DEPRECIATED ALONG WITH DOLLAR
AGAINST EUROPEAN CURRENCIES AND YEN. THIS HAS, NO
DOUBT, BEEN HELPFUL IN MAKING BRAZILIAN MANUFACTURED
GOODS MORE COMPETITIVE IN EUROPE AND JAPAN, BUT EMBASSY
HAS IMPRESSION THAT WORLD WIDE INFLATION WITH ATTENDANT
VERY HIGH PRICES OF AGRICULTURAL PRODUCTS HAS BEEN MORE
IMPORTANT FACTOR IN BRAZILIAN EXPORT RECEIPTS.

CLEVELAND

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